

GRANT COUNTY BOARD OF EDUCATION

June 30, 2005

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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June 30, 2005**

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INDEPENDENT AUDITORS' REPORT

State Committee for School District Audits
Grant County Board of Education
Williamstown, Kentucky

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County Board of Education, as of and for the year ended June 30, 2005, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grant County Board of Education management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements included as an appendix to the state audit contract. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County Board of Education, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2005, on our consideration of the Grant County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 1 through 7 and budgetary comparison information on page 14 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Grant County Board of Education basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. The combining and individual nonmajor fund financial statements and the supplementary schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
August 29, 2005

**GRANT COUNTY BOARD OF EDUCATION
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

As management of the Grant County Board of Education (Board), we offer readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board for the fiscal year ended June 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets increased \$1.5 million. Net assets of governmental activities increased \$1.5 million, which represents a 7.5 percent increase from fiscal year 2004. Net assets of the business-type activities, which primarily represents food service, increased \$35 thousand or 1 percent from fiscal year 2004.
- General revenues accounted for \$19.4 million in revenue or 71.4 percent of all revenues. Program specific revenues, in the form of charges for services and sales, grants, and contributions, accounted for \$7.8 million or 28.6 percent of total revenues of \$27.2 million.
- Total assets of governmental activities increased \$650 thousand primarily from increased cash and cash equivalents.
- The Board had \$25.7 million in expenses related to governmental activities; only \$7.8 million of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues (primarily property taxes and grants and entitlements) of \$19.4 million were adequate to provide for these programs.
- The Board recorded on-behalf payments in 2005 totaling \$3.4 million as required by the Kentucky Department of Education (KDE). Since these payments were not budgeted for in the current year, 2005 actual amounts are higher than 2005 budgeted amounts.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-Wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The statement of activities presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**GRANT COUNTY BOARD OF EDUCATION
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The district-wide financial statements outline functions of the Board that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the Board include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The proprietary funds consist of the Food Service operation, Strings, STLP, Community Education, FYRSC and Gifted and Talented. All other activities of the Board are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 19 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 34 of this report.

District-Wide Financial Analysis

The perspective of the statement of net assets is of the Board as a whole. Table 1 provides a summary of the Board's net assets for 2005 compared to 2004:

**GRANT COUNTY BOARD OF EDUCATION
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 1
Net Assets
(In Thousands)**

| | Governmental Activities | | Business-Type Activity | | Total | |
|-------------------------------|----------------------------|------------------|---------------------------|-----------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Assets | | | | | | |
| Current and Other Assets | \$ 10,462 | \$ 9,490 | \$ 834 | \$ 758 | \$ 11,296 | \$ 10,248 |
| Capital Assets, Net | <u>29,324</u> | <u>29,646</u> | <u>1,560</u> | <u>1,602</u> | <u>30,884</u> | <u>31,248</u> |
| Total Assets | <u>39,786</u> | <u>39,136</u> | <u>2,394</u> | <u>2,360</u> | <u>42,180</u> | <u>41,496</u> |
| Liabilities | | | | | | |
| Current and Other Liabilities | 1,581 | 1,902 | - | - | 1,581 | 1,902 |
| Long-Term Liabilities | <u>16,800</u> | <u>17,317</u> | <u>-</u> | <u>-</u> | <u>16,800</u> | <u>17,317</u> |
| Total Liabilities | <u>18,381</u> | <u>19,219</u> | <u>-</u> | <u>-</u> | <u>18,381</u> | <u>19,219</u> |
| Net Assets | | | | | | |
| Invested in Capital Assets | | | | | | |
| Net of Related Debt | 11,785 | 11,530 | 1,560 | 1,602 | 12,945 | 13,132 |
| Restricted | - | - | - | - | - | - |
| Unrestricted | <u>9,620</u> | <u>8,386</u> | <u>834</u> | <u>758</u> | <u>10,454</u> | <u>9,144</u> |
| Total Net Assets | <u>\$ 21,405</u> | <u>\$ 19,916</u> | <u>\$ 2,394</u> | <u>\$ 2,360</u> | <u>\$ 23,799</u> | <u>\$ 22,276</u> |

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$24 million as of June 30, 2005.

The largest portion of the Board's net assets reflects its investment in capital assets (e.g. land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that are still outstanding. The Board uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Board's financial position is the product of several financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Total assets increased \$684 thousand. Current and other assets increased \$1.0 million, offset by capital assets decrease of \$364 thousand; these changes are complimented by a decrease in bonds payable of \$915 thousand.

Net assets of the Board's governmental activities increased \$1.5 million. The net assets of the Board's business-type activity increased \$35 thousand.

Table 2 reflects the change in net assets for fiscal year 2005. It should be noted that on-behalf payments are shown as increases in both revenues and expenses.

**GRANT COUNTY BOARD OF EDUCATION
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

**Table 2
Change in Net Assets
(In Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------------------|----------------------------|-----------------|-----------------------------|--------------|-----------------|-----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ - | \$ - | \$ 679 | \$ 680 | \$ 679 | \$ 680 |
| Operating Grants and Contributions | 6,299 | 5,825 | 1,015 | 957 | 7,314 | 6,782 |
| Capital Grants and Contributions | <u>1,466</u> | <u>1,060</u> | <u>83</u> | <u>96</u> | <u>1,549</u> | <u>1,156</u> |
| Total Program Revenues | <u>7,765</u> | <u>6,885</u> | <u>1,777</u> | <u>1,733</u> | <u>9,542</u> | <u>8,618</u> |
| General Revenues | | | | | | |
| Property Taxes | 3,979 | 3,600 | - | - | 3,979 | 3,600 |
| Other Taxes | 1,464 | 1,412 | - | - | 1,464 | 1,412 |
| Grants and Entitlements | 13,318 | 13,003 | - | - | 13,318 | 13,003 |
| Earnings on Investments | 315 | 174 | 19 | 10 | 334 | 184 |
| Transfers | 56 | 62 | (56) | (62) | - | - |
| Miscellaneous | <u>219</u> | <u>162</u> | <u>10</u> | <u>13</u> | <u>229</u> | <u>175</u> |
| Total General Revenues | <u>19,351</u> | <u>18,413</u> | <u>(27)</u> | <u>(39)</u> | <u>19,324</u> | <u>18,374</u> |
| Total Revenues | <u>27,116</u> | <u>25,298</u> | <u>1,750</u> | <u>1,694</u> | <u>28,866</u> | <u>26,992</u> |
| Program Expenses | | | | | | |
| Instruction | 14,698 | 14,029 | - | - | 14,698 | 14,029 |
| Support Services | | | | | | |
| Student and Instructional Staff | 2,045 | 1,756 | - | - | 2,045 | 1,756 |
| Administration and Business | 2,189 | 2,155 | - | - | 2,189 | 2,155 |
| Central Office | - | - | - | - | - | - |
| Operation and Maintenance of Plant | 2,318 | 1,777 | - | - | 2,318 | 1,777 |
| Student Transportation | 1,572 | 1,446 | - | - | 1,572 | 1,446 |
| Community Service | 444 | 304 | - | - | 444 | 304 |
| Interest and Fiscal Charges | 880 | 913 | - | - | 880 | 913 |
| Site Improvement | 247 | - | - | - | 247 | - |
| Depreciation | 1,235 | 1,171 | - | - | 1,235 | 1,171 |
| Community Education | - | - | 12 | 15 | 12 | 15 |
| Food Service | <u>-</u> | <u>-</u> | <u>1,703</u> | <u>1,627</u> | <u>1,703</u> | <u>1,627</u> |
| Total Expenses | <u>25,628</u> | <u>23,551</u> | <u>1,715</u> | <u>1,642</u> | <u>27,343</u> | <u>25,193</u> |
| Increase in Net Assets | <u>\$ 1,488</u> | <u>\$ 1,747</u> | <u>\$ 35</u> | <u>\$ 52</u> | <u>\$ 1,523</u> | <u>\$ 1,799</u> |

**GRANT COUNTY BOARD OF EDUCATION
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. Table 3, for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by tax revenues and unrestricted state entitlements.

**Table 3
Governmental Activities
(In Thousands)**

| | <u>Total Cost of Services</u> | | <u>Net Cost of Services</u> | |
|------------------------------------|-------------------------------|------------------|-----------------------------|------------------|
| | <u>2005</u> | <u>2004</u> | <u>2005</u> | <u>2004</u> |
| Instruction | \$ 14,698 | \$ 14,029 | \$ 10,729 | \$ 9,827 |
| Support Services | | | | |
| Student and Instructional Staff | 2,045 | 1,756 | 1,409 | 1,314 |
| Administration and Business | 2,189 | 2,155 | 2,018 | 1,995 |
| Central Office | - | - | - | (33) |
| Operation and Maintenance of Plant | 2,318 | 1,777 | 2,175 | 1,663 |
| Student Transportation | 1,572 | 1,446 | 1,353 | 1,237 |
| Community Service | 444 | 304 | 7 | 61 |
| Interest and Fiscal Charges | 880 | 913 | 457 | 491 |
| Site Improvement | 247 | - | (1,220) | (1,060) |
| Depreciation | <u>1,235</u> | <u>1,171</u> | <u>1,235</u> | <u>1,171</u> |
| Total Expenses | <u>\$ 25,628</u> | <u>\$ 23,551</u> | <u>\$ 17,863</u> | <u>\$ 16,666</u> |

The dependence upon tax revenues for governmental activities is apparent. Over 66 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenues support is 76 percent. The community, as a whole, is the primary support for Grant County Board of Education students.

Business-Type Activities

The business-type activities of the Board consist of the food service operation and community education. These programs had revenues and transfers of \$1.7 million and expenses of \$1.7 million for fiscal year 2005. Total revenues increased \$56 thousand and expenses increased \$73 thousand from the prior fiscal year.

The Board of Education continues to examine the food service operation in an effort for it to be self-operating without assistance from the General Fund. The business activities receive no support from tax revenues.

The Board's Funds

The Board's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$29.6 million and expenditures and other financing uses of \$28.3 million.

**GRANT COUNTY BOARD OF EDUCATION
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

General Fund Budgeting Highlights

The Board's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. In Kentucky the public school fiscal year is July 1 - June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the overall budget. By law the budget must have a minimum 2 percent contingency. The Board adopted a budget with \$3,632,733 in contingency (16.2 percent). The beginning cash balance for beginning the fiscal year is \$6.7 million. The most significant budgeted fund is the General Fund.

The Board amends the General Fund budget when site based allocations are adjusted and when instructed by KDE for classification purposes. The Board uses a site-based budget. The budgeting systems are designed to tightly control total site budgets, but provide flexibility for site management.

For the General Fund, final budgeted revenues and other financing sources, in the amount of \$17.0 million, were slightly above the original budgeted revenues and other financing sources in the amount of \$191 thousand. Actual revenues exceeded final budget revenues by \$4.1 million. This variance is due to KDE on-behalf payments not being budgeted.

Expenditures and other financing uses were budgeted at \$22.7 million while actual expenditures were \$21.1 million. The major difference comes from district administration (on-behalf payments not budgeted) and instructional expenses/variances.

General Fund revenues and other financing sources exceeded expenditures and other financing uses by approximately \$478 thousand.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the Board had \$30.9 million invested in capital assets, of which \$29.3 million was in governmental activities.

Table 4 reflects fiscal year 2005 balances compared to fiscal year 2004.

**Table 4
Capital Assets at June 30
(Net of Depreciation, In Thousands)**

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|----------------------------|------------------|-----------------------------|-----------------|------------------|------------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$ 1,738 | \$ 1,738 | \$ - | \$ - | \$ 1,738 | \$ 1,738 |
| Land Improvements | 1,072 | 1,162 | - | - | 1,072 | 1,162 |
| Buildings and Building Improvements | 24,228 | 22,981 | 1,351 | 1,391 | 25,579 | 24,372 |
| Technology Equipment | 409 | 323 | 21 | 30 | 430 | 353 |
| Vehicles | 1,190 | 867 | - | - | 1,190 | 867 |
| General Equipment | 687 | 790 | 188 | 181 | 875 | 971 |
| Construction in Progress | - | 1,785 | - | - | - | 1,785 |
| | <u>\$ 29,324</u> | <u>\$ 29,646</u> | <u>\$ 1,560</u> | <u>\$ 1,602</u> | <u>\$ 30,884</u> | <u>\$ 31,248</u> |

**GRANT COUNTY BOARD OF EDUCATION
WILLIAMSTOWN, KENTUCKY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The primary increase in capital assets for governmental activities is a result of the new central office in process at year end, as well as routine computer and computer related purchases.

Debt

At June 30, 2005, the Board had \$16.3 million in outstanding bonds. The bonds are being paid from the debt service fund.

Current Issues

As is the case of most growth districts, Grant County schools are being affected by an influx of students. From August 2004 until August 2005, enrollment has increased by 52 students causing the addition of seven new teachers at an estimated cost of \$241 thousand. An increase in Non-English speaking students has created a need for budget increases in the ESL area. Finding qualified teachers in the areas of math, science, and special education continues to be a challenge. The District was required to contract speech therapy services at an additional cost of over \$100 thousand.

A special called session of the Kentucky Legislature averted a possible teacher's strike concerning escalating health care costs. As a result, all personnel received a 1% raise starting January 1, 2005. The side effect of this mid year change caused the District's payroll and human services personnel many hours of additional work in order to update pay/personal deduction records. Health insurance issues are still a concern for 2006 with the State of Kentucky opting to form a self insured group for all employees.

As a bedroom community, Grant County continues to experience rapid population growth. According to local planning and zoning officials, 1,119 new housing sites have received permits with 600 plus lots awaiting approval. Due to the foresight of the Grant County Board of Education, the District currently has in place three growth nickels with two being matched by the State. With this solid local financial base and an excellent bond rating Grant County is preparing for current and future facility needs.

During the spring of 2005, bids were accepted for the renovation of the Crittenden/Mt. Zion Elementary School; bonds were sold in July, 2005. The cost of this project to be completed in December, 2006 is \$6.1 million dollars. Bids are scheduled to be reviewed in October of 2005 for an eight room addition to the Grant County High School at an estimated cost of \$2.0 million. Funding for this project will come strictly from local building funds.

After eight months of negotiation, an eighty acre school site has been purchased by the Board for \$775 thousand. A master site plan survey will be accomplished followed by the construction of a new elementary school to serve the northern third of the county.

The Grant County Board of Education continues to meet the needs of its students while moving cautiously in light of our State's uncertain economic environment.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Board's finances and to reflect the Board's accountability for the monies it receives. Questions about this report or additional financial information needs should be directed to the Superintendent or to John Brill, Financial Analyst, 859/824-3323, or by mail at 820 Arnie Risen Boulevard, Williamstown, Kentucky 41097-0369.

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
June 30, 2005

| | <u>Governmental Activities</u> | <u>Business- Type Activities</u> | <u>Total</u> |
|---|------------------------------------|--|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 10,049,985 | \$ 640,278 | \$ 10,690,263 |
| Accounts Receivable | | | |
| Taxes - Current | 193,200 | - | 193,200 |
| Taxes - Delinquent | 7,194 | - | 7,194 |
| Accounts | 37,645 | - | 37,645 |
| Intergovernmental - State | 13,246 | - | 13,246 |
| Intergovernmental - Indirect Federal | 160,555 | 121,741 | 282,296 |
| Inventory | - | 72,123 | 72,123 |
| Total Current Assets | <u>10,461,825</u> | <u>834,142</u> | <u>11,295,967</u> |
| Noncurrent Assets | | | |
| Land and Construction in Progress | 1,738,183 | - | 1,738,183 |
| Depreciable Capital Assets | 39,803,101 | 2,620,999 | 42,424,100 |
| Less Accumulated Depreciation | <u>(12,216,701)</u> | <u>(1,060,786)</u> | <u>(13,277,487)</u> |
| Total Noncurrent Assets | <u>29,324,583</u> | <u>1,560,213</u> | <u>30,884,796</u> |
| Total Assets | <u>\$ 39,786,408</u> | <u>\$ 2,394,355</u> | <u>\$ 42,180,763</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Bank Overdrafts | \$ 7,026 | \$ - | \$ 7,026 |
| Accounts Payable | 9,840 | - | 9,840 |
| Accrued Payroll and Withholdings | 3,165 | - | 3,165 |
| Current Portion of Bond Obligations | 955,000 | - | 955,000 |
| Current Portion of Capital Leases | 169,848 | - | 169,848 |
| Current Portion of Accumulated Sick Leave | 68,005 | - | 68,005 |
| Interest Payable | 204,105 | - | 204,105 |
| Deferred Revenue | <u>164,112</u> | <u>-</u> | <u>164,112</u> |
| Total Current Liabilities | <u>1,581,101</u> | <u>-</u> | <u>1,581,101</u> |
| Noncurrent Liabilities | | | |
| Noncurrent Portion of Accumulated Sick Leave | 385,361 | - | 385,361 |
| Noncurrent Portion of Capital Leases | 1,069,993 | - | 1,069,993 |
| Noncurrent Portion of Bond Obligations | <u>15,345,000</u> | <u>-</u> | <u>15,345,000</u> |
| Total Noncurrent Liabilities | <u>16,800,354</u> | <u>-</u> | <u>16,800,354</u> |
| Total Liabilities | <u>18,381,455</u> | <u>-</u> | <u>18,381,455</u> |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 11,784,742 | 1,560,213 | 13,344,955 |
| Unrestricted | <u>9,620,211</u> | <u>834,142</u> | <u>10,454,353</u> |
| Total Net Assets | <u>\$ 21,404,953</u> | <u>\$ 2,394,355</u> | <u>\$ 23,799,308</u> |

See accompanying notes.

**GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

| Functions | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|----------------------|-------------------------|--|--|--|--------------------------------|------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business Type Activities | Total |
| Governmental Activities | | | | | | | |
| Instruction | \$ 14,697,758 | \$ - | \$ 4,269,233 | \$ - | \$ (10,428,525) | \$ - | \$ (10,428,525) |
| Support Services | | | | | | | |
| Student | 938,185 | - | 329,240 | - | (608,945) | - | (608,945) |
| Instructional Staff | 1,106,615 | - | 306,497 | - | (800,118) | - | (800,118) |
| District Administration | 471,728 | - | 31,896 | - | (439,832) | - | (439,832) |
| School Administration | 1,356,875 | - | 111,637 | - | (1,245,238) | - | (1,245,238) |
| Business | 360,863 | - | 27,959 | - | (332,904) | - | (332,904) |
| Central Office | - | - | - | - | - | - | - |
| Plant Operation and Maintenance | 2,318,295 | - | 143,534 | - | (2,174,761) | - | (2,174,761) |
| Student Transportation | 1,572,473 | - | 219,288 | - | (1,353,185) | - | (1,353,185) |
| Community Service | 444,066 | - | 436,935 | - | (7,131) | - | (7,131) |
| Facilities Acquisition and Construction | | | | | | | |
| Site Improvement | 246,732 | - | - | 1,466,614 | 1,219,882 | - | 1,219,882 |
| Interest on Long-Term Debt | 880,132 | - | 422,823 | - | (457,309) | - | (457,309) |
| Depreciation | 1,234,772 | - | - | - | (1,234,772) | - | (1,234,772) |
| Total Governmental Activities | 25,628,494 | - | 6,299,042 | 1,466,614 | (17,862,838) | - | (17,862,838) |
| Business-Type Activities | | | | | | | |
| Food Service | 1,703,586 | 665,219 | 1,015,084 | 82,733 | - | 59,450 | 59,450 |
| Community Education | 12,075 | 13,794 | - | - | - | 1,719 | 1,719 |
| Total Business-Type Activities | 1,715,661 | 679,013 | 1,015,084 | 82,733 | - | 61,169 | 61,169 |
| Total School District | \$ 27,344,155 | \$ 679,013 | \$ 7,314,126 | \$ 1,549,347 | \$ (17,862,838) | \$ 61,169 | \$ (17,801,669) |
| General revenues: | | | | | | | |
| Property Taxes Levied for | | | | | | | |
| General Purposes | | | | | \$ 2,661,953 | \$ - | \$ 2,661,953 |
| Building | | | | | 1,316,966 | - | 1,316,966 |
| Other Taxes | | | | | | | |
| Motor Vehicle | | | | | 573,759 | - | 573,759 |
| Utilities | | | | | 890,655 | - | 890,655 |
| Other | | | | | - | - | - |
| Federal and State Aid Not Restricted to Specific Purposes | | | | | 13,317,663 | - | 13,317,663 |
| Earnings on Investments | | | | | 315,521 | 19,454 | 334,975 |
| Transfers | | | | | 55,786 | (55,786) | - |
| Miscellaneous | | | | | 219,017 | 10,099 | 229,116 |
| Total General Revenues | | | | | <u>19,351,320</u> | <u>(26,233)</u> | <u>19,325,087</u> |
| Change in Net Assets | | | | | 1,488,482 | 34,936 | 1,523,418 |
| Net Assets July 1, 2004 | | | | | <u>19,916,471</u> | <u>2,359,419</u> | <u>22,275,890</u> |
| Net Assets June 30, 2005 | | | | | <u>\$ 21,404,953</u> | <u>\$ 2,394,355</u> | <u>\$ 23,799,308</u> |

See accompanying notes.

**GRANT COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005**

| | General Fund | Special Revenue Funds | Construction Fund | Building (FSPK) Fund | Debt Service Fund | Other Governmental Funds | Total Governmental Funds |
|---|-------------------------|--------------------------------------|------------------------------|-------------------------------------|----------------------------------|---|---|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ 6,667,724 | \$ - | \$ 2,359,086 | \$ 725,111 | \$ 13,130 | \$ 284,934 | \$ 10,049,985 |
| Accounts Receivable | | - | | | | | |
| Taxes - Current | 193,200 | - | - | - | - | - | 193,200 |
| Taxes - Delinquent | 7,194 | - | - | - | - | - | 7,194 |
| Accounts | 37,645 | - | - | - | - | - | 37,645 |
| Intergovernmental - State | - | 13,246 | - | - | - | - | 13,246 |
| Intergovernmental - Indirect Federal | - | 160,555 | - | - | - | - | 160,555 |
| Total Assets | \$ 6,905,763 | \$ 173,801 | \$ 2,359,086 | \$ 725,111 | \$ 13,130 | \$ 284,934 | \$ 10,461,825 |
| Liabilities and Equity and Fund Balances | | | | | | | |
| Liabilities | | | | | | | |
| Bank Overdrafts | \$ - | \$ 7,026 | \$ - | \$ - | \$ - | \$ - | \$ 7,026 |
| Accounts Payable | 7,177 | 2,663 | - | - | - | - | 9,840 |
| Accrued Payroll and Withholdings | 3,165 | - | - | - | - | - | 3,165 |
| Deferred Revenue | - | 164,112 | - | - | - | - | 164,112 |
| Total Liabilities | 10,342 | 173,801 | - | - | - | - | 184,143 |
| Fund Balances | | | | | | | |
| Future Construction | 562,948 | - | - | - | - | - | 562,948 |
| Unpaid Sick Leave | 226,683 | - | - | - | - | - | 226,683 |
| Unreserved | | | | | | | |
| Undesignated, Reported in: | | | | | | | |
| General Fund | 6,105,790 | - | - | - | - | - | 6,105,790 |
| Capital Outlay Fund | - | - | - | - | - | 284,934 | 284,934 |
| Building Fund | - | - | - | 725,111 | - | - | 725,111 |
| Construction Fund | - | - | 2,359,086 | - | - | - | 2,359,086 |
| Debt Service Fund | - | - | - | - | 13,130 | - | 13,130 |
| Total Fund Balances | 6,895,421 | - | 2,359,086 | 725,111 | 13,130 | 284,934 | 10,277,682 |
| Total Liabilities and Fund Balances | \$ 6,905,763 | \$ 173,801 | \$ 2,359,086 | \$ 725,111 | \$ 13,130 | \$ 284,934 | \$ 10,461,825 |

See accompanying notes.

**GRANT COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
June 30, 2005**

Amounts reported for governmental activities in the statement of net assets are different because:

| | |
|--|---------------|
| Total Fund Balance - Governmental Funds | \$ 10,277,682 |
|--|---------------|

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.

| | | | |
|--|--------------------------|---------------------|------------|
| | Cost of Capital Assets | 41,541,284 | |
| | Accumulated Depreciation | <u>(12,216,701)</u> | 29,324,583 |

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

| | | | |
|--|-------------------------------|----------------|---------------------|
| | Bonds Payable | 16,300,000 | |
| | Capital Leases Payable | 1,239,841 | |
| | Accrued Interest on the Bonds | 204,105 | |
| | Accumulated Sick Leave | <u>453,366</u> | |
| | | | <u>(18,197,312)</u> |

| | |
|---|----------------------|
| Total Net Assets - Governmental Activities | \$ <u>21,404,953</u> |
|---|----------------------|

See accompanying notes.

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

| | <u>General Fund</u> | <u>Special Revenue Funds</u> | <u>Construction Fund</u> | <u>Building (FSPK) Fund</u> | <u>Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|-------------------------|--------------------------------------|------------------------------|-------------------------------------|----------------------------------|---|---|
| Revenues | | | | | | | |
| From Local Sources | | | | | | | |
| Taxes | | | | | | | |
| Property | \$ 2,661,953 | \$ - | \$ - | \$ 1,316,966 | \$ - | \$ - | \$ 3,978,919 |
| Motor Vehicle | 573,759 | - | - | - | - | - | 573,759 |
| Utilities | 890,655 | - | - | - | - | - | 890,655 |
| Earnings on Investments | 223,526 | 244 | 23,882 | 62,420 | - | 5,449 | 315,521 |
| Other Local Revenue | 104,678 | 113,814 | - | - | - | - | 218,492 |
| Intergovernmental - State | 16,560,665 | 803,183 | - | 1,125,334 | 422,823 | - | 18,912,005 |
| Intergovernmental - Indirect Federal | - | 1,830,034 | - | - | - | 341,280 | 2,171,314 |
| | <u>21,015,236</u> | <u>2,747,275</u> | <u>23,882</u> | <u>2,504,720</u> | <u>422,823</u> | <u>346,729</u> | <u>27,060,665</u> |
| Total Revenues | | | | | | | |
| Expenditures | | | | | | | |
| Current | | | | | | | |
| Instruction | 12,736,726 | 1,907,415 | - | - | - | - | 14,644,141 |
| Support Services | | | | | | | |
| Student | 752,479 | 185,706 | - | - | - | - | 938,185 |
| Instructional Staff | 730,122 | 306,497 | - | - | - | - | 1,036,619 |
| District Administration | 471,728 | - | - | - | - | - | 471,728 |
| School Administration | 1,356,875 | - | - | - | - | - | 1,356,875 |
| Business | 360,813 | 50 | - | - | - | - | 360,863 |
| Plant Operation and Maintenance | 2,315,597 | - | - | - | - | - | 2,315,597 |
| Student Transportation | 1,572,473 | - | - | - | - | - | 1,572,473 |
| Community Service | 49,874 | 394,192 | - | - | - | - | 444,066 |
| Facilities Acquisition and Construction | | | | | | | |
| Site Improvement | - | - | 660,134 | - | - | - | 660,134 |
| Educational Specification | 503,154 | - | - | - | - | - | 503,154 |
| Debt Service | 196,912 | - | - | - | 1,773,662 | - | 1,970,574 |
| | <u>21,046,753</u> | <u>2,793,860</u> | <u>660,134</u> | <u>-</u> | <u>1,773,662</u> | <u>-</u> | <u>26,274,409</u> |
| Total Expenditures | | | | | | | |
| Excess (Deficit) of Revenues Over Expenditures | <u>(31,517)</u> | <u>(46,585)</u> | <u>(636,252)</u> | <u>2,504,720</u> | <u>(1,350,839)</u> | <u>346,729</u> | <u>786,256</u> |
| Other Financing Sources (Uses) | | | | | | | |
| Proceeds from Sale of Fixed Assets | 525 | - | - | - | - | - | 525 |
| Capital Leases Issued | 503,154 | - | - | - | - | - | 503,154 |
| Operating Transfers In | 52,533 | 46,585 | 1,956,643 | - | - | - | 2,055,761 |
| Operating Transfers Out | (46,585) | - | - | (1,953,390) | - | - | (1,999,975) |
| Transfers In/(Out) for Debt Service | - | - | - | (1,095,360) | 1,349,806 | (254,446) | - |
| Other | - | - | - | - | - | - | - |
| | <u>509,627</u> | <u>46,585</u> | <u>1,956,643</u> | <u>(3,048,750)</u> | <u>1,349,806</u> | <u>(254,446)</u> | <u>559,465</u> |
| Total Other Financing Sources (Uses) | | | | | | | |
| Excess (Deficit) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | <u>478,110</u> | <u>-</u> | <u>1,320,391</u> | <u>(544,030)</u> | <u>(1,033)</u> | <u>92,283</u> | <u>1,345,721</u> |
| Fund Balance July 1, 2004 | <u>6,417,311</u> | <u>-</u> | <u>1,038,695</u> | <u>1,269,141</u> | <u>14,163</u> | <u>192,651</u> | <u>8,931,961</u> |
| Fund Balance June 30, 2005 | <u>\$ 6,895,421</u> | <u>\$ -</u> | <u>\$ 2,359,086</u> | <u>\$ 725,111</u> | <u>\$ 13,130</u> | <u>\$ 284,934</u> | <u>\$ 10,277,682</u> |

See accompanying notes.

**GRANT COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO
THE DISTRICT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005**

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|---|---------------------|
| Total net change in fund balances - governmental funds | \$ 1,345,721 |
|---|---------------------|

Capital outlays to purchase or build capital assets are reported as expenditures in the fund statements. Those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.

| | | |
|----------------------|--------------------|-----------|
| Capital Outlays | 916,556 | |
| Depreciation Expense | <u>(1,234,772)</u> | (318,216) |

| | |
|---|--------|
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is a result of the change in accrued interest on bonds. | 11,830 |
|---|--------|

| | |
|---|-----------|
| Some of the capital assets this year were financed through capital leases. The amount financed by the leases is reported in the government funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets. | (503,154) |
|---|-----------|

| | |
|---|-----------|
| In the statement of activities, compensated absences (sick leave) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The additional expense reported in the statement of activities is a result of the change in long-term accumulated sick leave. | (123,613) |
|---|-----------|

| | |
|---|-----------|
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. | 1,078,612 |
|---|-----------|

| | |
|---|----------------|
| Loss on Disposal of Governmental Capital Assets | <u>(2,698)</u> |
|---|----------------|

| | |
|---|----------------------------|
| Total Change in Net Assets - Governmental Activities | \$ <u>1,488,482</u> |
|---|----------------------------|

See accompanying notes.

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2005

| | Budgeted Amounts | | | Variance with Final Budget Favorable (Unfavorable) |
|--|-------------------------|--------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| From Local Sources | | | | |
| Taxes | | | | |
| Property | \$ 2,284,648 | \$ 2,390,378 | \$ 2,661,953 | \$ 271,575 |
| Motor Vehicle | 548,426 | 553,617 | 573,759 | 20,142 |
| Utilities | 550,000 | 550,000 | 890,655 | 340,655 |
| Earnings on Investments | 125,000 | 125,000 | 223,526 | 98,526 |
| Other Local Revenue | 94,434 | 94,434 | 104,678 | 10,244 |
| Intergovernmental - State | 13,142,633 | 13,222,974 | 16,560,665 | 3,337,691 |
| Total Revenues | 16,745,141 | 16,936,403 | 21,015,236 | 4,078,833 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 11,019,087 | 10,868,430 | 12,736,726 | 1,868,296 |
| Support Services | | | | |
| Student | 638,140 | 632,831 | 752,479 | 119,648 |
| Instructional Staff | 697,730 | 735,589 | 730,122 | (5,467) |
| District Administration | 2,311,926 | 4,281,018 | 471,728 | (3,809,290) |
| School Administration | 1,252,218 | 1,258,506 | 1,356,875 | 98,369 |
| Business | 322,014 | 380,843 | 360,813 | (20,030) |
| Plant Operation and Maintenance | 2,783,563 | 2,769,052 | 2,315,597 | (453,455) |
| Student Transportation | 1,454,688 | 1,459,842 | 1,572,473 | 112,631 |
| Central Office | 53,515 | - | - | - |
| Community Service Operations | 11,316 | 22,867 | 49,874 | 27,007 |
| Facilities Acquisition and Construction | | | | |
| Site Improvement | 25,000 | 25,000 | - | (25,000) |
| Educational Specifications | - | - | 503,154 | 503,154 |
| Debt Service | - | - | 196,912 | 196,912 |
| Total Expenditures | 20,569,197 | 22,433,978 | 21,046,753 | (1,387,225) |
| (Deficit) Excess of Revenues Over Expenditures | (3,824,056) | (5,497,575) | (31,517) | 5,466,058 |
| Other Financing Sources (Uses) | | | | |
| Proceeds from Sale of Fixed Assets | - | - | 525 | 525 |
| Capital Leases Issued | - | - | 503,154 | 503,154 |
| Operating Transfers In | 45,000 | 45,000 | 52,533 | 7,533 |
| Operating Transfers Out | (236,912) | (236,912) | (46,585) | 190,327 |
| Total Other Financing Sources (Uses) | (191,912) | (191,912) | 509,627 | 701,539 |
| (Deficit) Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | (4,015,968) | (5,689,487) | 478,110 | 6,167,597 |
| Fund Balance July 1, 2004 | 4,015,968 | 5,689,487 | 6,417,311 | 727,824 |
| Fund Balance June 30, 2005 | \$ - | \$ - | \$ 6,895,421 | \$ 6,895,421 |

See accompanying notes.

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

| | Business-Type Activities: Enterprise Funds | | |
|--------------------------------------|---|------------------------------|---------------------|
| | Food Service Fund | Other Enterprise Funds | Total |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | \$ 629,749 | \$ 10,529 | \$ 640,278 |
| Accounts Receivable | | | |
| Intergovernmental - Indirect Federal | 121,741 | - | 121,741 |
| Interfund Payables | - | - | - |
| Inventory | 72,123 | - | 72,123 |
| Total Current Assets | <u>823,613</u> | <u>10,529</u> | <u>834,142</u> |
| Noncurrent Assets | | | |
| Depreciable Capital Assets | 2,620,999 | - | 2,620,999 |
| Less Accumulated Depreciation | <u>(1,060,786)</u> | <u>-</u> | <u>(1,060,786)</u> |
| Total Noncurrent Assets | <u>1,560,213</u> | <u>-</u> | <u>1,560,213</u> |
| Total Assets | <u>\$ 2,383,826</u> | <u>\$ 10,529</u> | <u>\$ 2,394,355</u> |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts Payables | \$ - | \$ - | \$ - |
| Net Assets | | | |
| Invested in Capital Assets | 1,560,213 | - | 1,560,213 |
| Unrestricted | <u>823,613</u> | <u>10,529</u> | <u>834,142</u> |
| Total Net Assets | <u>\$ 2,383,826</u> | <u>\$ 10,529</u> | <u>\$ 2,394,355</u> |

See accompanying notes.

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2005

| | Business-Type Activities: | | |
|--|----------------------------------|-------------------|---------------------|
| | Enterprise Funds | | |
| | Food Service | Other | |
| | Fund | Enterprise | Total |
| | | Funds | |
| Operating Revenues | | | |
| Lunchroom Sales | \$ 665,219 | \$ - | \$ 665,219 |
| Other Local Revenue | 10,099 | 13,794 | 23,893 |
| Total Operating Revenue | <u>675,318</u> | <u>13,794</u> | <u>689,112</u> |
| Operating Expenses | | | |
| Salaries and Wages | 819,919 | - | 819,919 |
| Contract Services | 15,175 | 2,217 | 17,392 |
| Materials and Supplies | 787,968 | 9,156 | 797,124 |
| Depreciation | 80,524 | - | 80,524 |
| Other Operating Expenses | - | 702 | 702 |
| Total Operating Expenses | <u>1,703,586</u> | <u>12,075</u> | <u>1,715,661</u> |
| Operating (Loss) Income | <u>(1,028,268)</u> | <u>1,719</u> | <u>(1,026,549)</u> |
| Non-Operating Revenues (Expenses) | | | |
| Federal Grants | 821,381 | - | 821,381 |
| Donated Commodities | 82,733 | - | 82,733 |
| State Grants | 193,703 | - | 193,703 |
| Interest Income | 19,454 | - | 19,454 |
| Loss of Sale of Fixed Assets | - | - | - |
| Fund Transfer (Out) In | (55,786) | - | (55,786) |
| Total Non-Operating Revenues (Expenses) | <u>1,061,485</u> | <u>-</u> | <u>1,061,485</u> |
| Net Income | 33,217 | 1,719 | 34,936 |
| Net Assets July 1, 2004 | <u>2,350,609</u> | <u>8,810</u> | <u>2,359,419</u> |
| Net Assets June 30, 2005 | <u>\$ 2,383,826</u> | <u>\$ 10,529</u> | <u>\$ 2,394,355</u> |

See accompanying notes.

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

| | Business-Type Activities: Enterprise Funds | | |
|---|---|------------------------------|---------------------|
| | Food Service Fund | Other Enterprise Funds | Total |
| Cash Flows From Operating Activities | | | |
| Cash Received from | | | |
| Lunchroom Sales | \$ 665,219 | \$ - | \$ 665,219 |
| Other Charges for Services | - | 13,913 | 13,913 |
| Indirect Expenses Paid by Other Funds | (55,786) | - | (55,786) |
| Employees | (648,486) | - | (648,486) |
| Supplies | (713,691) | (9,236) | (722,927) |
| Other Activities | (15,175) | (2,919) | (18,094) |
| Rebates | 10,099 | - | 10,099 |
| Net Cash (Used) Provided by Operating Activities | <u>(757,820)</u> | <u>1,758</u> | <u>(756,062)</u> |
| Cash Flows from Non-Capital Financing Activities | | | |
| Federal Grants | 796,659 | - | 796,659 |
| State Grants | 22,270 | - | 22,270 |
| Net Cash Provided by Non-Capital Financing Activities | <u>818,929</u> | <u>-</u> | <u>818,929</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Acquisition of Capital Assets | <u>(39,168)</u> | <u>-</u> | <u>(39,168)</u> |
| Net Cash Used by Capital and Related Financing Activities | <u>(39,168)</u> | <u>-</u> | <u>(39,168)</u> |
| Cash Flows from Investing Activities | | | |
| Interest Income | <u>19,454</u> | <u>-</u> | <u>19,454</u> |
| Net Change in Cash | 41,395 | 1,758 | 43,153 |
| Cash and Cash Equivalents July 1, 2004 | <u>588,354</u> | <u>8,771</u> | <u>597,125</u> |
| Cash and Cash Equivalents June 30, 2005 | <u>\$ 629,749</u> | <u>\$ 10,529</u> | <u>\$ 640,278</u> |
| Reconciliation of Operating Loss to Net Cash | | | |
| Used by Operating Activities | | | |
| Operating (Loss) Income | \$ (1,028,268) | \$ 1,719 | \$ (1,026,549) |
| Adjustments to Reconcile Operating Loss to Net Cash | | | |
| Used by Operating Activities | | | |
| Depreciation | 80,524 | - | 80,524 |
| Indirect Expenses Paid by Other Funds | (55,786) | - | (55,786) |
| Donated Commodities Received from Federal Government | 82,733 | - | 82,733 |
| On-Behalf Payments for Salaries and Benefits Paid | | | |
| Directly by the State | 171,433 | - | 171,433 |
| Change in Assets and Liabilities | | | |
| Inventory | (8,434) | - | (8,434) |
| Accounts Receivable | - | 119 | 119 |
| Accounts Payable | (22) | (80) | (102) |
| Net Cash (Used) Provided by Operating Activities | <u>\$ (757,820)</u> | <u>\$ 1,758</u> | <u>\$ (756,062)</u> |
| Non-Cash Non-Capital Financing Activities | | | |
| Donated Commodities Received from Federal Government | <u>\$ 82,733</u> | <u>\$ -</u> | <u>\$ 82,733</u> |
| Other Non-Cash Transactions | | | |
| On-Behalf Payments for Salaries and Benefits Paid | | | |
| Directly by the State | <u>\$ 171,433</u> | <u>\$ -</u> | <u>\$ 171,433</u> |

See accompanying notes.

**GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005**

| | Private Purpose Trust Funds | Agency Fund |
|-----------------------------------|--|--------------------------|
| Assets and Resources | | |
| Cash and Cash Equivalents | \$ 55,500 | \$ 257,619 |
| Accounts Receivable | <u>-</u> | <u>-</u> |
| Total Assets and Resources | \$ <u>55,500</u> | \$ <u>257,619</u> |
| Liabilities | | |
| Due to Student Groups | \$ - | \$ 257,619 |
| Accounts Payable | <u>-</u> | <u>-</u> |
| Total Liabilities | <u>-</u> | <u>257,619</u> |
| Net Assets Held In Trust | \$ <u>55,500</u> | \$ <u>-</u> |

See accompanying notes.

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2005

| | Private Purpose Trust Funds |
|---------------------------------|--|
| Additions | |
| Earnings on Investments | \$ 1,591 |
| Other | <u>2,371</u> |
| Total Additions | 3,962 |
| Deductions | |
| Current Instruction | <u>2,618</u> |
| Change in Net Assets | 1,344 |
| Net Assets July 1, 2004 | <u>54,156</u> |
| Net Assets June 30, 2005 | \$ <u><u>55,500</u></u> |

See accompanying notes.

GRANT COUNTY BOARD OF EDUCATION NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY

The Grant County Board of Education (Board), a five member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Grant County School District. The Board receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards as Board members are elected by the public and the Board has decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The Board, for financial purposes, includes all of the funds and account groups relevant to the operation of the Grant County Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the Board include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Grant County School District Finance Corporation

The Board authorized establishment of the Grant County School District Finance Corporation. It is a non-stock, non-profit public and charitable corporation pursuant to Section 162.385 of the School Bond Act and Chapter 273 and Section 58.180 of the Kentucky Revised Statutes to act as an agency of the Board for financing the costs of school building facilities. The Board of Directors of the Corporation shall be the same persons who are at any time the members of the Board of Education of the Grant County School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain significant accounting policies followed in the preparation of these financial statements.

Basis of Presentation

District-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Board as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Board that are governmental and those that are considered business-type activities.

The district-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the district-wide statements and the statements for governmental funds.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The district-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of Board and for each function or program of the Board's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Board, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Board.

Fund Financial Statements - Fund financial statements report detailed information about the Board. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the Board finances and meets the cash flow needs of its proprietary activities.

The Board has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use. This is a major fund of the Board.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 48 and 49. This is a major fund of the Board.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the Board's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the Board's facility plan.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction and/or remodelings. This is a major fund of the Board.
- (D) The Debt Service Funds are used to account for the accumulation of resources for and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on general obligation notes payable as required by Kentucky Law. This is a major fund of the Board.

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.

The Board applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Board available means expected to be received within sixty days of the fiscal year-end.

Nonexchange transactions, in which the Board receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Board must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues - Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2005, to finance the General Fund operations were \$.506 per \$100 valuation for real property, \$.510 per \$100 valuation for business personal property and \$.553 per \$100 valuation for motor vehicles.

The Board levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the district-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market value as of the date received. The Board maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The Board does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

| Description | Governmental Activities Estimated Lives |
|-------------------------------------|--|
| Buildings and Building Improvements | 25-50 Years |
| Land Improvements | 20 Years |
| Technology Equipment | 5 Years |
| Vehicles | 5-10 Years |
| General Equipment | 10 Years |

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the Board an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Board's past experience of making termination payments.

The entire compensated absence liability is reported on the district-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accumulated sick leave payable" in the general fund. The noncurrent portion of the liability is not reported, however 50% of the total balance, or \$226,683, is reserved in the current year fund balance of the General Fund.

Budgetary Process

Budgetary Basis of Accounting - The Board's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. All budget amendments require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Inventories

On district-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method and the general fund uses the first-in, first-out method.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The Board reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for unpaid sick leave and future construction.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Board, those revenues are primarily charges for meals provided by the various schools.

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Board considers demand deposits, money market funds, and other investments with an original maturity of ninety days or less, to be cash equivalents.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Encumbrances**

Encumbrances are not liabilities and therefore, are not recorded as expenditures until receipt of material or service. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Accordingly, no differences exist between actual results and the applicable budgetary data presented in the accompanying combined financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets except for the net residual amounts due between governmental and business-type activities, which are presented as interfund balances.

NOTE 3 – CASH AND CASH EQUIVALENTS

The carrying amount of the Board's deposits with financial institutions was \$10,996,356 and the bank balance was \$12,274,646. Of that amount, \$207,177 was insured by the FDIC. The remainder is collateralized with securities held by the financial institution and pledged to collateralize the Board's deposits. Cash and cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2005 consisted of the following:

| | <u>Bank Balances</u> | <u>Book Balances</u> |
|--|--------------------------|--------------------------|
| Various Banks - Checking Accounts | \$ 12,231,578 | \$ 10,953,018 |
| Various Banks - Certificates of Deposits | <u>43,068</u> | <u>43,338</u> |
| | <u>\$ 12,274,646</u> | <u>\$ 10,996,356</u> |

Breakdown per financial statements:

| | |
|-------------------------------------|----------------------|
| Governmental Funds | \$ 10,049,985 |
| Bank Overdraft – Governmental Funds | (7,026) |
| Proprietary Funds | 640,278 |
| Private Purpose Trust Funds | 55,500 |
| Agency Funds | <u>257,619</u> |
| | <u>\$ 10,996,356</u> |

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005 was as follows:

| | Balance June 30, 2004 | Additions | Deductions | Balance June 30, 2005 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 1,738,183 | \$ - | \$ - | \$ 1,738,183 |
| Construction in Progress | 1,785,323 | - | 1,785,323 | - |
| Total Capital Assets not being Depreciated | <u>3,523,506</u> | <u>-</u> | <u>1,785,323</u> | <u>1,738,183</u> |
| Depreciable Capital Assets | | | | |
| Land Improvements | 1,802,711 | - | - | 1,802,711 |
| Buildings & Building Improvements | 29,228,585 | 1,999,287 | - | 31,227,872 |
| Technology Equipment | 2,147,757 | 196,335 | 167,582 | 2,176,510 |
| Vehicles | 3,228,550 | 489,608 | 627,869 | 3,090,289 |
| General Equipment | 1,515,218 | 16,767 | 26,266 | 1,505,719 |
| Total Depreciable Capital Assets | <u>37,922,821</u> | <u>2,701,997</u> | <u>821,717</u> | <u>39,803,101</u> |
| Total Capital Assets at Historical Cost | <u>41,446,327</u> | <u>2,701,997</u> | <u>2,607,040</u> | <u>41,541,284</u> |
| Less: Accumulated Depreciation | | | | |
| Land Improvements | 640,837 | 90,136 | - | 730,973 |
| Buildings & Building Improvements | 6,248,084 | 751,869 | - | 6,999,953 |
| Technology Equipment | 1,825,278 | 109,314 | 167,463 | 1,767,129 |
| Vehicles | 2,361,475 | 166,880 | 627,869 | 1,900,486 |
| General Equipment | 725,155 | 116,573 | 23,568 | 818,160 |
| Total Accumulated Depreciation | <u>11,800,829</u> | <u>1,234,772</u> | <u>818,900</u> | <u>12,216,701</u> |
| Depreciable Capital Assets, Net | <u>26,121,992</u> | <u>1,467,225</u> | <u>2,817</u> | <u>27,586,400</u> |
| Governmental Activities Capital Assets - Net | <u>\$ 29,645,498</u> | <u>\$ 1,467,225</u> | <u>\$ 1,788,140</u> | <u>\$ 29,324,583</u> |
| Business-Type Activities | | | | |
| Depreciable Capital Assets | | | | |
| Buildings & Building Improvements | \$ 1,970,967 | \$ - | \$ - | \$ 1,970,967 |
| Technology Equipment | 61,964 | - | 1,845 | 60,119 |
| General Equipment | 564,688 | 39,168 | 13,943 | 589,913 |
| Totals at Historical Cost | <u>2,597,619</u> | <u>39,168</u> | <u>15,788</u> | <u>2,620,999</u> |
| Less: Accumulated Depreciation | | | | |
| Buildings & Building Improvements | 580,320 | 39,419 | - | 619,739 |
| Technology Equipment | 32,253 | 9,170 | 1,845 | 39,578 |
| General Equipment | 383,477 | 31,935 | 13,943 | 401,469 |
| Total Accumulated Depreciation | <u>996,050</u> | <u>80,524</u> | <u>15,788</u> | <u>1,060,786</u> |
| Business-Type Activities Capital Assets - Net | <u>\$ 1,601,569</u> | <u>\$ (41,356)</u> | <u>\$ -</u> | <u>\$ 1,560,213</u> |

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2005.

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represent the Board's future obligations to make payments relating to the bonds issued by the Fiscal Court of Grant County and the Grant County School District Finance Corporation aggregating \$16,300,000.

The amount shown in the accompanying financial statements as capital lease obligations represent the principal portion of the Board's future obligations to make lease payments relating to capital leases entered into with the Kentucky Interlocal School Transportation Association (KISTA) aggregating \$1,239,841.

The following is a summary of the Board's long-term debt transactions for the year ended June 30, 2005.

| | <u>Balance July 1, 2004</u> | <u>Additions of New Debt</u> | <u>Repayments</u> | <u>Balance June 30, 2005</u> | <u>Amounts Expected to be Paid Within One Year</u> |
|-------------------------|---------------------------------|----------------------------------|-------------------|----------------------------------|--|
| Governmental Activities | | | | | |
| General Obligation | | | | | |
| Bonds | <u>\$ 17,215,000</u> | <u>\$ -</u> | <u>\$ 915,000</u> | <u>\$ 16,300,000</u> | <u>\$ 955,000</u> |
| Capital Leases | <u>\$ 900,302</u> | <u>\$ 503,151</u> | <u>\$ 163,612</u> | <u>\$ 1,239,841</u> | <u>\$ 169,848</u> |

The repayments of general obligation bonds include \$646,164 repaid by the Board, and \$268,836 repaid by the Kentucky School Facility Construction Commission. The payments on bonds are made by the debt service fund.

Bonds

The Board, through the General Fund (including utility taxes), Building (FSPK) Fund, and the SEEK Capital Outlay Fund is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Fiscal Court to construct school facilities. The Board has an option to purchase the property under lease at any time by retiring the bonds then outstanding. The proceeds from certain refunding issues have been placed in escrow accounts to be used to service the related debt.

The Board has entered into "participation agreements" with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the Board and, as such, the total principal outstanding has been recorded in the financial statements.

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (Continued)

The original amount of outstanding issues, the issue dates, interest rates and outstanding balances at June 30, 2005 are summarized below:

| <u>Issue</u> | <u>Original Amount</u> | <u>Board's Portion</u> | <u>Interest Rates</u> | <u>Outstanding Balance June 30, 2005</u> |
|-------------------|----------------------------|----------------------------|---------------------------|--|
| July 1, 1996 | \$ 330,000 | \$ 52,412 | 4.25 - 5.90% | \$ 215,000 |
| September 1, 1997 | 12,155,000 | 11,465,742 | 5.10 - 5.37 | 9,590,000 |
| April 1, 1998 | 2,340,000 | 787,474 | 3.85 - 4.20 | 1,340,000 |
| November 1, 1999 | 340,000 | - | 4.75 | 270,000 |
| December 1, 2000 | 2,210,000 | 1,015,578 | 4.50 - 5.63 | 1,995,000 |
| July 1, 2002 – A | 2,210,000 | - | 1.95 - 4.75 | 2,100,000 |
| July 1, 2002 – B | 985,000 | 767,844 | 1.45 - 3.75 | <u>790,000</u> |
| | | | | <u>\$ 16,300,000</u> |

The bonds may be called prior to maturity at dates and redemption premiums specified in each issue. Assuming no issues are called prior to maturity, the minimum obligations of the Board, including amounts to be paid by the Commission at June 30, 2005 for debt service, (principal and interest) are as follows:

| <u>Fiscal Year Ended June 30,</u> | <u>Board's Portion</u> | | <u>KSFCC Portion</u> | | <u>Total Principal</u> |
|---|------------------------|---------------------|----------------------|-------------------|----------------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2005-06 | 674,502 | 674,114 | 280,498 | 141,705 | 955,000 |
| 2006-07 | 702,163 | 646,991 | 292,837 | 129,425 | 995,000 |
| 2007-08 | 748,995 | 613,485 | 306,005 | 116,279 | 1,055,000 |
| 2008-09 | 784,569 | 577,776 | 330,431 | 102,204 | 1,115,000 |
| 2009-10 | 812,472 | 539,182 | 342,528 | 87,216 | 1,155,000 |
| 2010-11 | 844,615 | 499,416 | 155,385 | 75,814 | 1,000,000 |
| 2011-12 | 896,744 | 457,709 | 163,256 | 67,966 | 1,060,000 |
| 2012-13 | 940,962 | 409,951 | 164,038 | 59,832 | 1,105,000 |
| 2013-14 | 1,000,774 | 362,069 | 154,226 | 51,690 | 1,155,000 |
| 2014-15 | 1,052,499 | 307,750 | 162,501 | 43,452 | 1,215,000 |
| 2015-16 | 1,105,411 | 251,612 | 164,589 | 34,639 | 1,270,000 |
| 2016-17 | 1,188,634 | 192,607 | 156,366 | 25,736 | 1,345,000 |
| 2017-18 | 387,112 | 129,316 | 107,888 | 17,391 | 495,000 |
| 2018-19 | 401,287 | 125,575 | 113,713 | 11,562 | 515,000 |
| 2019-20 | 794,285 | 104,617 | 95,715 | 5,384 | 890,000 |
| 2020-21 | 475,000 | 65,160 | - | - | 475,000 |
| 2021-22 | <u>500,000</u> | <u>23,750</u> | <u>-</u> | <u>-</u> | <u>500,000</u> |
| Totals | <u>\$13,310,024</u> | <u>\$ 5,981,080</u> | <u>\$ 2,989,976</u> | <u>\$ 970,295</u> | <u>\$16,300,000</u> |

NOTE 6 – BONDED DEBT AND LEASE OBLIGATIONS (Continued)**Capital Leases**

The Board leases buses under capital leases with KISTA. The leases expire on various dates from June, 2005 through June, 2013, and have semi annual payments totaling \$98,456.

The following is an analysis of the leased property under capital leases by class:

| <u>Classes of Property</u> | <u>June 30, 2005</u> |
|----------------------------|--------------------------|
| Buses | |
| Cost | \$ 1,965,541 |
| Accumulated Depreciation | <u>809,412</u> |
| Net Book Value | <u>\$ 1,156,129</u> |

The following is a schedule by years of the future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2005:

| <u>Year Ending June 30,</u> | <u>Capital Lease Payable</u> |
|---|----------------------------------|
| 2006 | \$ 214,403 |
| 2007 | 215,290 |
| 2008 | 170,955 |
| 2009 | 170,855 |
| 2010 | 162,836 |
| Thereafter | <u>510,831</u> |
| Total Minimum Lease Payments | 1,445,170 |
| Less Amount Representing Interest | <u>205,329</u> |
| Present Value of Net Minimum Lease Payments | <u>\$ 1,239,841</u> |

NOTE 7 – COMPENSATED ABSENCES

Changes in the Board's compensated absences during fiscal year 2005 were as follows:

| | <u>Balance July 1, 2004</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2005</u> | <u>Amounts Expected to be Paid Within One Year</u> |
|-------------------------|---------------------------------|-------------------|-------------------|----------------------------------|--|
| Governmental Activities | | | | | |
| Accumulated Sick Leave | <u>\$ 329,752</u> | <u>\$ 157,744</u> | <u>\$ 34,130</u> | <u>\$ 453,366</u> | <u>\$ 68,005</u> |

The accumulated sick leave liability will be liquidated by several governmental funds.

NOTE 8 – RETIREMENT PLANS

The Board's total payroll for the year was \$15,454,984. The payroll for employees covered under the following plans totaled \$15,448,301.

Kentucky Teachers' Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer retirement system created by and operating under Kentucky law.

The Kentucky Teachers' Retirement System covers all regular certified full-time employees of each school board. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Participating employees contribute 9.855% of creditable compensation. Matching contributions are made by the state. These on behalf payments are reflected in the Board's financial records and amounted to \$1,410,073 for 2005. The matching contributions are paid by the federal program for any salaries paid by that program. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems. The Board contributed 13.131% of the employee's compensation paid by federal programs for the fiscal year ended June 30, 2005.

The Board's required contributions for pension obligations to KTRS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$1,221,657 (composed of \$91,989 from the Board and \$1,129,668 from the employees), \$1,197,126 and \$1,125,999, respectively; 100 percent has been contributed for fiscal years 2005, 2004 and 2003.

County Employees Retirement System

Employees who work an average of 100 hours per month participate in the County Employees Retirement System of Kentucky (CERS) which is a cost sharing, multiple-employer public employee's retirement system created by and operating under Kentucky Law.

The County Employees Retirement System covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky, 40601.

Participating employees contribute 5.0% of the creditable compensation. Employer contribution rates are intended to fund the normal cost on a current basis plus one percent (1%) of unfunded past service costs per annum plus interest at the actuarial assumed rate. Such contribution rates are determined by the Board of Trustees of Kentucky Retirement Systems each biennium. The Board contributed 8.48% of the employee's compensation during the fiscal year ended June 30, 2005.

The Board's required contributions for pension obligations to CERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$533,030 (composed of \$333,318 from the Board and \$199,712 from the employees), \$474,540 and \$417,240, respectively; 100 percent has been contributed for fiscal years 2005, 2004 and 2003.

NOTE 9 – CONTINGENCIES

The Board receives funding from federal, state and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Board for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Board's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

NOTE 10 – INSURANCE AND RELATED ACTIVITIES

The Board is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The Board has purchased certain policies that are retrospectively rated which include worker's compensation insurance.

NOTE 11 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. To obtain insurance for workers' compensation, errors and omission, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The district pays an annual premium to each fund for coverage. Contributions to the Worker's Compensation Fund are based on premium rates established by each fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four months after expiration of the self-insurance term. The Liability Insurance Fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety-day notices. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the member on a pro rata basis.

The Board purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the Board continues to carry commercial insurance for all other risks of loss, including the coverage listed in the supplemental schedule as listed in the table of contents. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 – TRANSFER OF FUNDS

The following transfers were made during the year:

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|------------------|-------------------|-----------------------|---------------|
| Various | Debt Service Fund | Debt Service Payments | \$1,349,806 |
| General | Special Revenue | Matching – Technology | 46,585 |
| Building | Construction | Construction Services | 1,956,643 |
| Food Service | General | Indirect Costs | 52,533 |

NOTE 13 – ON-BEHALF PAYMENTS

As amounts are paid by various state agencies on-behalf of the Board, the amounts are recognized as revenues and expenditures by the Board. On the Statement of Revenues, Expenditures and Changes in Fund Balance, the on-behalf payments are included with state revenue and are included in the functional expense classifications. On the Statement of Activities, the on-behalf payments are included in the functional expense classifications and are included with program operating grants and contributions for the respective functions. A summary of on-behalf payments during 2005 is as follows:

Payments Made by the State for
Fringe Benefits of Board Employees – Included
in the Following Functional Expense Classifications:

| | |
|---------------------------------|---------------------|
| Instruction | \$ 2,522,461 |
| Supporting Services | |
| Student | 143,534 |
| Instructional Staff | - |
| District Administration | 31,896 |
| School Administration | 111,637 |
| Business | 27,909 |
| Plant Operation and Maintenance | 143,534 |
| Student Transportation | 219,288 |
| Food Service Operations | <u>171,433</u> |
| Total | <u>\$ 3,371,692</u> |

Payments Made by the State for
Vocational Education at Board Schools – Included
in Instruction Expenditures

\$ 42,743

Payments Made by the KSFCC for its
Participation in the Board's Bonds – Included
in Debt Service Expenditures

\$ 422,823

NOTE 14 – OPERATING LEASES

The Board leases equipment under operating leases with expiration dates ranging from May, 2006 through September, 2007 with total monthly lease payments of \$3,992. The Board incurred \$43,489 in equipment rental expense during the year ended June 30, 2005.

Future minimum lease payments as of June 30, 2005 are as follows:

| Year Ending <u>June 30,</u> | |
|--------------------------------|------------------|
| 2006 | \$ 37,905 |
| 2007 | 35,772 |
| 2008 | <u>5,339</u> |
| | <u>\$ 79,016</u> |

NOTE 15 – SUBSEQUENT EVENT

On July 8, 2005 the Board issued \$5,445,000 of 4.2% bonds for the renovation of an elementary school. The bonds are payable over 25 years starting in February, 2006 with final payment August, 2025.

SUPPLEMENTAL INFORMATION

**GRANT COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET
NON MAJOR GOVERNMENTAL FUND
June 30, 2005**

| | SEEK Capital Outlay Fund |
|---|---|
| Assets | |
| Cash and Cash Equivalents | \$ 284,934 |
| Accounts Receivable | |
| Taxes - Current | - |
| Taxes - Delinquent | - |
| Accounts | - |
| Intergovernmental - State | - |
| Intergovernmental - Indirect Federal | - |
| Interest | - |
| | <hr/> |
| Total Assets | \$ 284,934 |
| | <hr/> |
| Liabilities and Equity and Fund Balances | |
| Liabilities | |
| Accounts Payable | \$ - |
| Accrued Payroll and Related Expenses | - |
| Current Portion of Accumulated Sick Leave | - |
| Deferred Revenue | - |
| | <hr/> |
| Total Liabilities | <hr/> - |
| | <hr/> |
| Fund Balances | |
| Reserved for | |
| Site Based Carryover | - |
| Unreserved | |
| Undesignated, Reported in | |
| General Fund | - |
| Special Revenue Funds | - |
| Capital Projects Funds | 284,934 |
| Debt Service Funds | - |
| | <hr/> |
| Total Fund Balances | <hr/> 284,934 |
| | <hr/> |
| Total Liabilities and Fund Balances | \$ 284,934 |
| | <hr/> |

**GRANT COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON MAJOR GOVERNMENTAL FUND
Year Ended June 30, 2005**

| | SEEK Capital Outlay Fund |
|--|---|
| Revenues | |
| From Local Sources | |
| Taxes | |
| Property | \$ - |
| Motor Vehicle | - |
| Utilities | - |
| Other | - |
| Tuition and Fees | - |
| Transportation Fees | - |
| Earnings on Investments | 5,449 |
| Student Activities | - |
| Community Service Activities | - |
| Other Local Revenue | - |
| Intergovernmental - Intermediate | - |
| Intergovernmental - State | 341,280 |
| Intergovernmental - Indirect Federal | - |
| | <hr/> |
| Total Revenues | 346,729 |
| | <hr/> |
| Expenditures | |
| Current | |
| Instruction | - |
| Support Services | |
| Student | - |
| Instructional Staff | - |
| District Administration | - |
| School Administration | - |
| Business | - |
| Plant Operation and Maintenance | - |
| Student Transportation | - |
| Community Service Operations | - |
| Facilities Acquisition and Construction | |
| Site Improvement | - |
| Student Activities | - |
| Debt Service | - |
| | <hr/> |
| Total Expenditures | - |
| | <hr/> |
| Excess of Revenues Over Expenditures | 346,729 |
| | <hr/> |
| Other Financing Sources (Uses) | |
| Proceeds from Sale of Fixed Assets | - |
| Operating Transfers In | - |
| Operating Transfers Out | - |
| Transfers In/(Out) for Debt Service | (254,446) |
| Other | - |
| | <hr/> |
| Total Other Financing Uses | (254,446) |
| | <hr/> |
| Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses | 92,283 |
| | <hr/> |
| Fund Balance July 1, 2004 | 192,651 |
| | <hr/> |
| Fund Balance June 30, 2005 | \$ 284,934 |
| | <hr/> |

GRANT COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
Year Ended June 30, 2005

| | Federal | | | | | | | | |
|---|----------------|----------------|-------------------|--------------------|---------------|--------------------|------------------------|----------------|----------------------|
| | Title I | IDEA B | IDEA Preschool | Adult Education | Migrant | Teacher Quality | Drop Out Prevention | Other | Sub-Total Federal |
| Revenues | | | | | | | | | |
| Earnings on Investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Local Revenue | - | - | - | - | - | - | - | - | - |
| Intergovernmental - State | - | - | - | - | - | - | - | - | - |
| Intergovernmental - Indirect Federal | 691,010 | 648,245 | 46,516 | 67,685 | 43,372 | 183,410 | 48,351 | 101,445 | 1,830,034 |
| Total Revenues | 691,010 | 648,245 | 46,516 | 67,685 | 43,372 | 183,410 | 48,351 | 101,445 | 1,830,034 |
| Expenditures | | | | | | | | | |
| Current | | | | | | | | | |
| Instruction | 658,772 | 453,430 | 46,516 | - | 43,372 | 183,410 | 48,351 | 98,630 | 1,532,481 |
| Support Services | | | | | | | | | |
| Student | - | 71,892 | - | - | - | - | - | - | 71,892 |
| Instructional Staff | 32,238 | 122,923 | - | - | - | - | - | - | 155,161 |
| District Administration | - | - | - | - | - | - | - | - | - |
| Plant Operation and Maintenance | - | - | - | - | - | - | - | - | - |
| Student Transportation | - | - | - | - | - | - | - | - | - |
| Community Services Operations | - | - | - | 67,685 | - | - | - | 2,815 | 70,500 |
| Total Expenditures | 691,010 | 648,245 | 46,516 | 67,685 | 43,372 | 183,410 | 48,351 | 101,445 | 1,830,034 |
| Revenues Over Expenditures | - | - | - | - | - | - | - | - | - |
| Other Financing Sources | | | | | | | | | |
| Operating Transfers In | - | - | - | - | - | - | - | - | - |
| Total Other Financing Sources | - | - | - | - | - | - | - | - | - |
| Excess of Revenues and Other Financing Sources Over Expenditures | - | - | - | - | - | - | - | - | - |
| Fund Balance July 1, 2004 | - | - | - | - | - | - | - | - | - |
| Fund Balance June 30, 2005 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

GRANT COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS (Continued)
Year Ended June 30, 2005

| | State | | | | | | | | | | | | |
|---|----------------------|--------------------------------|----------------------|------------------------------------|--------------------|-----------------------------|-----------------------------|-------------------------|------------------|-----------|-------------------|---------|-----------------------------|
| | Sub-Total Federal | Extended School Services | Gifted & Talented | Family/Youth Resource Center | Family Literacy | State Adult Education | Professional Development | Education Technology | School Safety | Textbooks | School Rewards | Other | Special Revenue Funds |
| Revenues | | | | | | | | | | | | | |
| Earnings on Investments | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 244 | \$ - | \$ - | \$ - | \$ - | \$ 244 |
| Other Local Revenue | - | - | - | - | - | - | - | - | - | - | - | 113,814 | 113,814 |
| Intergovernmental - State | - | 118,050 | 49,716 | 230,880 | - | 72,813 | 59,492 | 44,543 | 56,148 | 106,789 | 4,323 | 60,429 | 803,183 |
| Intergovernmental - Indirect Federal | 1,830,034 | - | - | - | - | - | - | - | - | - | - | - | 1,830,034 |
| Total Revenues | 1,830,034 | 118,050 | 49,716 | 230,880 | - | 72,813 | 59,492 | 44,787 | 56,148 | 106,789 | 4,323 | 174,243 | 2,747,275 |
| Expenditures | | | | | | | | | | | | | |
| Current | | | | | | | | | | | | | |
| Instruction | 1,532,481 | 60,590 | 49,716 | - | - | - | 3,682 | 91,097 | 56,148 | 106,789 | 4,323 | 2,589 | 1,907,415 |
| Support Services | | | | | | | | | | | | | |
| Student | 71,892 | - | - | - | - | - | - | - | - | - | - | 113,814 | 185,706 |
| Instructional Staff | 155,161 | 3,301 | - | - | - | - | 109,969 | 225 | - | - | - | 37,841 | 306,497 |
| Business | - | - | - | - | - | - | - | 50 | - | - | - | - | 50 |
| Plant Operation and Maintenance | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Student Transportation | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Community Service | 70,500 | - | - | 230,880 | - | 72,813 | - | - | - | - | - | 19,999 | 394,192 |
| Total Expenditures | 1,830,034 | 63,891 | 49,716 | 230,880 | - | 72,813 | 113,651 | 91,372 | 56,148 | 106,789 | 4,323 | 174,243 | 2,793,860 |
| Deficit of Revenues Over Expenditures | - | 54,159 | - | - | - | - | (54,159) | (46,585) | - | - | - | - | (46,585) |
| Other Financing Sources | | | | | | | | | | | | | |
| Operating Transfers In | - | - | - | - | - | - | 54,159 | 46,585 | - | - | - | - | 100,744 |
| Operating Transfers Out | - | (54,159) | - | - | - | - | - | - | - | - | - | - | (54,159) |
| Total Other Financing Sources | - | (54,159) | - | - | - | - | 54,159 | 46,585 | - | - | - | - | 46,585 |
| Excess of Revenues and Other Financing Sources Over Expenditures | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fund Balance July 1, 2004 | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Fund Balance June 30, 2005 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

GRANT COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

| | Private Purpose Trust Funds | | | Sub-Total | Agency | Total |
|---------------------------|--------------------------------|-----------------|-----------------|------------------|-------------------|-------------------|
| | Gruelle | NKOA | Jeff Volker | Private | Fund | Fiduciary |
| | Scholarship | Fund | Scholarship | Purpose | School | Net |
| | Fund | | Fund | Trust Funds | Activity | Assets |
| | | | | | Funds | |
| Assets | | | | | | |
| Cash and Cash Equivalents | \$ 52,000 | \$ 1,935 | \$ 1,565 | \$ 55,500 | \$ 257,619 | \$ 313,119 |
| Accounts Receivable | | | | | | |
| Accounts | - | - | - | - | - | - |
| Total Assets | <u>\$ 52,000</u> | <u>\$ 1,935</u> | <u>\$ 1,565</u> | <u>\$ 55,500</u> | <u>\$ 257,619</u> | <u>\$ 313,119</u> |
| Liabilities | | | | | | |
| Due to Student Groups | \$ - | \$ - | \$ - | \$ - | \$ 257,619 | \$ 257,619 |
| Accounts Payable | - | - | - | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>257,619</u> | <u>257,619</u> |
| Net Assets | | | | | | |
| Unreserved | <u>\$ 52,000</u> | <u>\$ 1,935</u> | <u>\$ 1,565</u> | <u>\$ 55,500</u> | <u>\$ -</u> | <u>\$ 55,500</u> |

GRANT COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2005

| | Private Purpose Trust Funds | | | Total Private Purpose Trust Funds |
|---------------------------------|--------------------------------|--------------|------------------------------------|--|
| | Gruelle Scholarship Fund | NKOA Fund | Jeff Volker Scholarship Fund | |
| Additions | | | | |
| From Local Sources | | | | |
| Earnings on Investments | \$ 471 | \$ 1,900 | \$ - | \$ 2,371 |
| Other | 1,500 | 38 | 53 | 1,591 |
| Total Additions | 1,971 | 1,938 | 53 | 3,962 |
| Deductions | | | | |
| Current | | | | |
| Instruction | 1,279 | 1,089 | 250 | 2,618 |
| Change in Net Assets | 692 | 849 | (197) | 1,344 |
| Net Assets July 1, 2004 | 51,308 | \$ 1,086 | \$ 1,762 | \$ 54,156 |
| Net Assets June 30, 2005 | \$ 52,000 | \$ 1,935 | \$ 1,565 | \$ 55,500 |

**GRANT COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SCHOOL ACTIVITY FUNDS
June 30, 2005**

| | Grant County High School | Grant County Middle School | Crittenden- Mt. Zion Elementary | Dry Ridge Elementary | Mason- Corinth Elementary | Grant County High Financial Center | Totals |
|--------------------------------|---|---|--|-------------------------------------|--|---|--------------------------|
| Assets | | | | | | | |
| Cash and Cash Equivalents | \$ 108,155 | \$ 65,826 | \$ 21,466 | \$ 38,193 | \$ 20,753 | \$ 3,226 | \$ 257,619 |
| Accounts Receivable - Accounts | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u><u>\$ 108,155</u></u> | <u><u>\$ 65,826</u></u> | <u><u>\$ 21,466</u></u> | <u><u>\$ 38,193</u></u> | <u><u>\$ 20,753</u></u> | <u><u>\$ 3,226</u></u> | <u><u>\$ 257,619</u></u> |
| Liabilities | | | | | | | |
| Due to Student Groups | \$ 108,155 | \$ 65,826 | \$ 21,466 | \$ 38,193 | \$ 20,753 | \$ 3,226 | \$ 257,619 |
| Accounts Payable | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | <u><u>\$ 108,155</u></u> | <u><u>\$ 65,826</u></u> | <u><u>\$ 21,466</u></u> | <u><u>\$ 38,193</u></u> | <u><u>\$ 20,753</u></u> | <u><u>\$ 3,226</u></u> | <u><u>\$ 257,619</u></u> |

**GRANT COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF FIDUCIARY RECEIPTS AND DISBURSEMENTS
SCHOOL ACTIVITY FUNDS**

| Fund Accounts | Cash Balances June 30, 2004 | Receipts | Disbursements | Cash Balances June 30, 2005 | Accounts Receivable | (Accounts Payable) | Due to Student Groups June 30, 2005 |
|------------------------------------|--|-------------------|----------------------|--|--------------------------------|-------------------------------|--|
| Grant County High School | \$ 93,539 | \$ 395,337 | \$ 380,721 | \$ 108,155 | \$ - | \$ - | \$ 108,155 |
| Grant County Middle School | 73,166 | 208,397 | 215,737 | 65,826 | - | - | 65,826 |
| Crittenden-Mt. Zion Elementary | 16,912 | 72,211 | 67,657 | 21,466 | - | - | 21,466 |
| Dry Ridge Elementary | 48,677 | 57,449 | 67,933 | 38,193 | - | - | 38,193 |
| Mason-Corinth Elementary | 17,450 | 49,299 | 45,996 | 20,753 | - | - | 20,753 |
| Grant County High Financial Center | <u>3,226</u> | <u>-</u> | <u>-</u> | <u>3,226</u> | <u>-</u> | <u>-</u> | <u>3,226</u> |
| Total School Activity Funds | <u>\$ 252,970</u> | <u>\$ 782,693</u> | <u>\$ 778,044</u> | <u>\$ 257,619</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 257,619</u> |

**GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY RECEIPTS AND DISBURSEMENTS
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS**

| Fund | Cash Balances June 30, 2004 | Receipts | Disbursements | Cash Balances June 30, 2005 | Accounts Receivable | (Accounts Payable) | Due to Student Groups June 30, 2005 |
|---------------------------|--|-----------------|----------------------|--|--------------------------------|-------------------------------|--|
| Letterpersons | \$ - | \$ 431 | 431 | \$ - | \$ - | \$ - | \$ - |
| Library Club | 679 | 2,178 | 1,882 | 975 | - | - | 975 |
| YMCA | 94 | 7,873 | 7,906 | 61 | - | - | 61 |
| F.O.C.U.S. | 336 | 77 | 113 | 300 | - | - | 300 |
| ID's | 1,298 | 6,479 | 2,639 | 5,138 | - | - | 5,138 |
| Future Educ. Of America | 134 | 449 | 539 | 44 | - | - | 44 |
| Key Club | 451 | 122 | 286 | 287 | - | - | 287 |
| Fishing Club | 22 | - | 22 | - | - | - | - |
| Student Incentives | - | 9,568 | 5,466 | 4,102 | - | - | 4,102 |
| Art Club | 269 | - | - | 269 | - | - | 269 |
| Champions of Drug Free KY | 52 | - | - | 52 | - | - | 52 |
| Band | 3,540 | 12,000 | 15,011 | 529 | - | - | 529 |
| Chorus | 74 | 26,454 | 26,263 | 265 | - | - | 265 |
| Computer Fund | 736 | - | 520 | 216 | - | - | 216 |
| Scholarship Toll | 825 | 2,550 | 2,550 | 825 | - | - | 825 |
| York Scholarship Fund | 12,496 | 3,931 | 1,200 | 15,227 | - | - | 15,227 |
| Academic Team | 3,989 | 3,289 | 3,011 | 4,267 | - | - | 4,267 |
| Advanced Placement | - | 10,553 | 7,921 | 2,632 | - | - | 2,632 |
| Annual | 13,364 | 4,216 | 7,590 | 9,990 | - | - | 9,990 |
| Co-Op | 1,882 | 1,369 | 1,331 | 1,920 | - | - | 1,920 |
| Prom Account | - | 3,989 | 3,989 | - | - | - | - |
| Junior Class | 799 | 16,817 | 14,284 | 3,332 | - | - | 3,332 |
| English Electives | 138 | - | 138 | - | - | - | - |
| National Honor Society | 654 | 697 | 1,351 | - | - | - | - |
| Project Graduation | - | 7,624 | 6,558 | 1,066 | - | - | 1,066 |
| School Play | 1,472 | 1,208 | 1,026 | 1,654 | - | - | 1,654 |
| Senior Class | 149 | 33,262 | 33,341 | 70 | - | - | 70 |
| Smoke Signal | 1,452 | - | 1,452 | - | - | - | - |
| Student Council | 1,032 | 2,834 | 3,100 | 766 | - | - | 766 |
| Culinary Café | 830 | 1,204 | 1,480 | 554 | - | - | 554 |
| Art | 12 | - | - | 12 | - | - | 12 |
| Business | 31 | 25 | - | 56 | - | - | 56 |
| English | 26 | 6 | 20 | 12 | - | - | 12 |

(Continued)

GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY RECEIPTS AND DISBURSEMENTS
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS

| Fund | Cash Balances June 30, 2004 | Receipts | Disbursements | Cash Balances June 30, 2005 | Accounts Receivable | (Accounts Payable) | Due to Student Groups June 30, 2005 |
|--------------------------|--|-----------------|----------------------|--|--------------------------------|-------------------------------|--|
| Freshman/Sophomore Class | \$ 2,722 | \$ 322 | \$ 3,034 | \$ 10 | \$ - | \$ - | \$ 10 |
| Bookfund | 191 | 65,788 | 64,039 | 1,940 | - | - | 1,940 |
| Dietz Scholarship | 15 | - | - | 15 | - | - | 15 |
| Field Trips | 296 | - | 296 | - | - | - | - |
| Speech and Drama | - | 573 | 520 | 53 | - | - | 53 |
| Smoking | - | 35 | - | 35 | - | - | 35 |
| District Baseball | - | 1,981 | 1,981 | - | - | - | - |
| General | 2,748 | 26,586 | 26,046 | 3,288 | - | - | 3,288 |
| Locks | 14 | 95 | 69 | 40 | - | - | 40 |
| Parking Stickers | - | 2,095 | 1,452 | 643 | - | - | 643 |
| Vending Machine | 104 | 915 | 1,019 | - | - | - | - |
| Basketball (Boys) | 5,816 | 27,387 | 31,824 | 1,379 | - | - | 1,379 |
| Baseball | - | 4,032 | 3,818 | 214 | - | - | 214 |
| Football | 3,736 | 15,245 | 16,805 | 2,176 | - | - | 2,176 |
| Golf | 366 | 950 | 1,185 | 131 | - | - | 131 |
| Soccer (Boys) | 1,565 | 3,645 | 5,043 | 167 | - | - | 167 |
| Softball | 125 | 2,671 | 2,762 | 34 | - | - | 34 |
| Cross Country | 6,852 | 6,371 | 5,130 | 8,093 | - | - | 8,093 |
| Volleyball | 835 | 2,503 | 2,228 | 1,110 | - | - | 1,110 |
| Athletic Director | 3,440 | 21,374 | 21,911 | 2,903 | - | - | 2,903 |
| Cheerleader (Boys) | 591 | 520 | 1,026 | 85 | - | - | 85 |
| Soccer (Girls) | 1,791 | 3,396 | 4,794 | 393 | - | - | 393 |
| Basketball (Elementary) | - | 22,575 | 15,879 | 6,696 | - | - | 6,696 |
| Basketball (Girls) | 1,785 | 21,293 | 14,126 | 8,952 | - | - | 8,952 |
| Dance Team | 1,748 | 1,799 | 3,465 | 82 | - | - | 82 |
| Track | 123 | 1,843 | 1,102 | 864 | - | - | 864 |
| Golf (Girls) | 792 | 740 | 75 | 1,457 | - | - | 1,457 |
| Softball (Slow) | 77 | 1,075 | 983 | 169 | - | - | 169 |
| French | 42 | 2,690 | 2,732 | - | - | - | - |
| Future Business Leaders | 610 | 517 | 846 | 281 | - | - | 281 |
| Future Farmers | 729 | 17,877 | 16,228 | 2,378 | - | - | 2,378 |
| Future Farmers Alumni | - | 135 | - | 135 | - | - | 135 |
| Greenhouse | 4,063 | 3,418 | 4,176 | 3,305 | - | - | 3,305 |

(Continued)

**GRANT COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY RECEIPTS AND DISBURSEMENTS
GRANT COUNTY HIGH SCHOOL ACTIVITY FUNDS**

| Fund | Cash Balances June 30, 2004 | Receipts | Disbursements | Cash Balances June 30, 2005 | Accounts Receivable | (Accounts Payable) | Due to Student Groups June 30, 2005 |
|----------------------------|--|-------------------|----------------------|--|--------------------------------|-------------------------------|--|
| Region 6 Girls Golf | \$ - | \$ 1,508 | \$ 1,217 | \$ 291 | \$ - | \$ - | 291 |
| ADS | - | 2,575 | 175 | 2,400 | - | - | 2,400 |
| KTSA | 472 | - | 472 | - | - | - | - |
| Orchestra | 496 | - | 496 | - | - | - | - |
| FCCLA | 1,929 | 8,468 | 8,183 | 2,214 | - | - | 2,214 |
| Social Committee | 52 | 860 | 661 | 251 | - | - | 251 |
| Boys District Soccer | 74 | - | - | 74 | - | - | 74 |
| Art II | 250 | - | 131 | 119 | - | - | 119 |
| UNICEF | - | 9 | - | 9 | - | - | 9 |
| JC Superstar | 195 | - | 195 | - | - | - | - |
| Renaissance Trip | - | 3,406 | 3,406 | - | - | - | - |
| District Boys/Girls | 250 | - | - | 250 | - | - | 250 |
| District Boys/Girls Soccer | - | 2,667 | 2,307 | 360 | - | - | 360 |
| Math | 638 | - | 429 | 209 | - | - | 209 |
| Math Field Trip | 171 | 2,103 | 2,266 | 8 | - | - | 8 |
| Kozar | 1,000 | - | 679 | 321 | - | - | 321 |
| Total | 93,539 | 441,247 | 426,631 | 108,155 | - | - | 108,155 |
| Less Inter-Fund Transfers | - | 45,910 | 45,910 | - | - | - | - |
| Total | \$ 93,539 | \$ 395,337 | \$ 380,721 | \$ 108,155 | \$ - | \$ - | \$ 108,155 |

**GRANT COUNTY BOARD OF EDUCATION
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
June 30, 2005**

| <u>Name</u> | <u>Address</u> | <u>Term Expires</u> |
|---------------|--|---------------------|
| Billie Cahill | 9545 Warsaw Road Dry Ridge, KY 41035 | December, 2006 |
| Jackie Young | 365 Alexandria Lane Crittenden, KY 41030 | December, 2008 |
| James Colson | 1900 Keefer Road Corinth, KY 41010 | December, 2008 |
| Tracy Goe | 295 Cherokee Trail Dry Ridge, KY 41035 | December, 2008 |
| Teresa Rump | 500 Lawrenceville Road Williamstown, KY 41097 | December, 2006 |

Administrative Personnel:

| | | |
|-------------------|---|--------------------------|
| Donald Martin | - | Superintendent |
| Kenneth Gray | - | Deputy Superintendent |
| Carol Horn | - | Assistant Superintendent |
| Meredith Sizemore | - | Treasurer |
| Donald Martin | - | Secretary |

GRANT COUNTY BOARD OF EDUCATION
SCHEDULE OF INSURANCE
June 30, 2005

| <u>Type of Coverage</u> | <u>Expiration Date</u> | <u>Coverage</u> |
|---|------------------------|--|
| <u>Blanket Building & Contents - Insurance</u> All School Facilities and Contents (Includes Earthquake and Flood Endorsements, Boiler and Machinery) | July 1, 2005 | Buildings and Personal Property \$59,844,137 |
| <u>Workmen's' Compensation</u> All School Employees | January 1, 2005 | Statutory |
| <u>Collision, Comprehensive and Property Damage</u> School Buses - Other Vehicles Liability - Bodily Injury Uninsured and Underinsured Motorists | July 1, 2005 | \$2,000,000 \$500,000 |
| <u>Comprehensive General Liability</u> School Board Members, Superintendent, Certified Employees, Classified Employees, Psychologists and Psychometrists | July 1, 2005 | \$2,000,000 - General Aggregate Level \$1,000,000 - Each Occurrence Limit |
| <u>Umbrella Coverage</u> | July 1, 2005 | \$5,000,000 |
| <u>Educators Legal Liability</u> School Board Members, Superintendent, Certified Employees, Classified Employees, Psychologists and Psychometrists | July 1, 2005 | \$1,000,000 - General Aggregate Level \$1,000,000 - Each Occurrence Limit |
| <u>Student Accident Insurance</u> Accidental Death Accidental Medical Expense | July 1, 2005 | \$20,000 \$25,000 |
| <u>Treasurer's Bond</u> Meredith Sizemore | July 1, 2005 | \$300,000 |
| <u>Employees' Blanket Bond</u> All Employees | July 1, 2005 | \$50,000 |
| <u>Depository Bond</u> Grant County Deposit Bank | July 1, 2005 | \$12,800,000 |

GRANT COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

| Federal Grants/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantors Number | Disbursement |
|--|------------------------------------|---|--------------------------|
| U.S. Department of Agriculture | | | |
| Passed through State Department of Agriculture | | | |
| Food Distribution - Value of Commodities | 10.550 | | \$ 82,733 |
| Passed through State Department of Education | | | |
| Summer School Meal | 10.559 | 0574-04-23 | 33,782 |
| Summer Sponsored | 10.559 | 0569-04-24 | 3,517 |
| School Breakfast Program | 10.558 | 0576-05-05 | 186,417 |
| National School Lunch Program | 10.555 | 0575-05-02 | <u>574,723</u> |
| Total U.S. Department of Agriculture | | | \$ <u>881,172</u> |
| U.S. Department of Education | | | |
| Passed through State Department of Education | | | |
| Title I | 84.010 | 0351-04-01 | \$ 107,862 |
| Title I | 84.010 | 0351-05-01 | <u>583,148</u> |
| Program Total | | | <u>691,010</u> |
| IDEA - Part B | 84.027 | 0581-04-02 | 180,678 |
| IDEA - Part B | 84.027 | 0581-05-02 | <u>467,567</u> |
| Program Total | | | <u>648,245</u> |
| IDEA - Part B - Preschool | 84.173 | 0587-04-02 | 4,863 |
| IDEA - Part B - Preschool | 84.173 | 0581-05-02 | <u>41,653</u> |
| Program Total | | | <u>46,516</u> |
| Title V | 84.298 | 0533-04-02 | 12,802 |
| Title V | 84.298 | 0533-05-02 | <u>5,411</u> |
| Program Total | | | <u>18,213</u> |
| Drug Free Schools | 84.186 | 0590-04-02 | 11,234 |
| Drug Free Schools | 84.186 | 0590-05-02 | <u>10,180</u> |
| Program Total | | | <u>21,414</u> |

(Continued)

GRANT COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

| Federal Grants/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantors Number | Disbursement |
|--|------------------------------------|---|----------------------------|
| Migrant | 84.011 | 0352-04-02 | \$ 5,520 |
| Migrant | 84.013 | 0352-05-02 | <u>37,852</u> |
| Program Total | | | <u>43,372</u> |
| Teacher Quality | 84.367 | 0710-04-02 | 69,319 |
| Teacher Quality | 84.367 | 0710-05-02 | <u>114,091</u> |
| Program Total | | | <u>183,410</u> |
| Total Department of Education | | | \$ <u>1,652,180</u> |
| U.S. Department of Labor | | | |
| Adult Education - Basic | 84.002 | | 31,213 |
| Adult Education - Staff Development | 84.002 | | 12,934 |
| Adult Education - Rewards | 84.002 | | 8,816 |
| Adult Education - Corrections | 84.002 | | <u>14,722</u> |
| Program Total | | | 67,685 |
| W/A - Drop Out Prevention | 17.225 | | <u>48,151</u> |
| Total Department of Labor | | | \$ <u>115,836</u> |
| Total Expenditures of Federal Awards | | | \$ <u>2,649,188</u> |

**GRANT COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Grant County Board of Education and is presented on the basis of accounting described in Note 2 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair value of the commodities received and disbursed. At June 30, 2005, the Board had inventory totaling \$72,123, including food commodities.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

State Committee for School District Audits
Grant County Board of Education
Williamstown, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Grant County Board of Education as of and for the year ended June 30, 2005, which collectively comprise the Grant County Board of Education's basic financial statements, and have issued our report thereon dated August 29, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements included as an appendix to the state audit contract.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Grant County Board of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Grant County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

In addition, the results of our tests disclosed no instances of noncompliance of specific state statutes or regulations identified in Appendix II (9)(a)-(w) of the state audit contract that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated August 29, 2005.

State Committee for School District Audits
Grant County Board of Education

This report is intended solely for the information and use of management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
August 29, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

State Committee for School District Audits
Grant County Board of Education
Williamstown, Kentucky

Compliance

We have audited the compliance of the Grant County Board of Education with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Grant County Board of Education's major federal programs are identified in the summary of auditor's result section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion of the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A- 133, "Audits of States, Local Governments, and Non-Profit Organizations;" and the audit requirements included as an appendix to the state audit contract. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Grant County Board of Education's compliance with those requirements.

In our opinion, the Grant County Board of Education complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control over Compliance

The management of the Grant County Board of Education is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Grant County Board of Education's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

State Committee for School District Audits
Grant County Board of Education

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Kentucky Department of Education and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
August 29, 2005

**GRANT COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

| | |
|--|---|
| FINANCIAL STATEMENTS | |
| Type of Financial Statement Opinion | Unqualified |
| Was there any material control weakness conditions reported at the financial statements level (GAGAS)? | No |
| Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | None Reported |
| Was there any reported material noncompliance at the financial statement level (GAGAS)? | No |
| FEDERAL AWARDS | |
| Was there any material internal control weakness conditions reported for major federal programs? | No |
| Were there any other reportable conditions identified, not considered to be material weaknesses reported for major programs? | None Reported |
| Type of Major Programs Compliance Opinion | Unqualified |
| Are there any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510? | No |
| Major Programs (list): | IDEA Part B [CFDA 84.027 and 84.173] National School Lunch Program [CFDA 10.550, 10.558, 10.555 and 10.559] Title I [CFDA 84.010] |
| Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: > all others |
| Low Risk Auditee? | No |

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters to be reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters to be reported.

**GRANT COUNTY BOARD OF EDUCATION
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005**

PRIOR YEAR – FINANCIAL STATEMENT FINDINGS

No matters were reported.

PRIOR YEAR – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Grant County Board of Education
Williamstown, Kentucky

In planning and performing our audit of the financial statements of Grant County Board of Education for the year ended June 30, 2005, we considered the Board's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements.

During the course of our audit we select samples of activity for our auditing tests. Through these procedures we became aware of a few matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters. We previously reported on the Board's internal controls in our report dated August 29, 2005. This letter does not affect our report dated August 29, 2005 on the financial statements of the Grant County Board of Education.

Our findings are presented as follows:

ITEM 01 – ACTIVITY FUNDS

Grant County High School

- Outstanding checks totaling approximately \$929.98 have been outstanding for greater than one year. We recommend that management resolve any pending issues with these checks and remove them from the listing.

Grant County Middle School

- One of the checks selected did not have a purchase order. A P.O. is required to be completed and approved before all purchases in accordance with board specifications.

Mason-Corinth Elementary School

- Although the Board has implemented a computerized accounting system at each school there is still some accounting done manually. Management should computerize all bookkeeping in order to save time and increase efficiencies.

Dry Ridge Elementary School

- Although the Board has implemented a computerized accounting system at each school there is still some accounting done manually. Management should computerize all bookkeeping in order to save time and increase efficiencies.

Crittenden-Mt. Zion Elementary School

- Although the board has implemented a computerized accounting system at each school there is still some accounting done manually. Management should computerize all bookkeeping in order to save time and increase efficiencies.
- For one of the funds tested, the ending balance from one month did not match the beginning balance for the next month on the monthly financial reports due to an error. The ending balance was correct however.
- The fund activity reported on the monthly financial report did not equal the transaction register for that month. The register included a transaction twice. Difference was below audit materiality and therefore was not adjusted, however these reports should agree.

Management's Response

A procedure will be implemented District wide that will require all outstanding checks to be researched and handled with appropriate accounting procedures within six months of the date of issue.

During August of each year, a meeting is held with all Administrators, secretaries, and account clerks to review "Red Book" procedures, standard accounting practices, and problem areas as it relates to financial management. Approved purchase orders are required before any funds can be obligated. During their monthly meeting audit management notes will be discussed with all administrators. Items at individual locations will be addressed by the Deputy Superintendent.

All schools have implemented computerized accounting software. The management note mentioned above is due to the fact that the software being used will not generate the commonly used annual activity report as found in the "Red Book", thus these reports are hand written. The District Office will develop and distribute a computerized annual activity report spreadsheet to all schools which will be used to meet the stated requirement. Monthly reports are reviewed regularly by Central Office personnel and technical assistance is provided as needed.

ITEM 02 – FOOD SERVICE REIMBURSEMENT CLAIMS

The total number of meals served for lunch and breakfast did not agree to the monthly summary report. Manual changes had been made. We recommend that adjustments should be computerized and reports reprinted.

Management's Response

The Deputy Superintendent will direct the Food Service Director to maintain all documentation for reimbursement claims in an orderly manner. Changes made to working papers will be computerized and revised documents reprinted and filed.

ITEM 03 – SPECIAL REVENUE

Special Revenue cash account had a negative balance at the end of the year.

Management's Response

Seventy-five percent of Grant County's Special Revenue grants are on a reimbursable basis. Due to the year end close process required by KDE for the Special Revenue Fund, reimbursement for June expenditures can not be booked; therefore Special Revenue cash will reflect a negative balance.

We want to express our appreciation to management and the Board staff for their courteous assistance during the audit.

VonLehman & Company Inc.

Fort Mitchell, Kentucky
August 29, 2005